

CITY OF JEFFERSON, IOWA

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	January, 2016
Shannon Black	Mayor Pro-Tem	January, 2016
Larry Teeples	Council Member	January, 2018
Lisa Jaskey	Council Member	January, 2016
Gary Von Ahsen	Council Member	January, 2018
Harry Ahrenholtz	Council Member	January, 2018
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Jefferson's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, City of Jefferson adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2013 (which are not presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in page 1 and pages 30 through 35, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2015 on our consideration of the City of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Jefferson's internal control over financial reporting and compliance.

Gimzewski, Ben, Kyhn & W. P. C.

Atlantic, Iowa
December 16, 2015

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 617,761	\$ 28,221	\$ 49,361
Public works	435,810	--	451,804
Health and social services	24,399	--	--
Culture and recreation	1,056,589	437,465	87,122
Community and economic development	1,417,933	--	153,961
General government	524,614	70,134	8,553
Debt service	458,601	--	--
Capital projects	<u>275,450</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>4,811,157</u>	<u>535,820</u>	<u>750,801</u>
Business type activities:			
Water	588,658	936,625	--
Sewer	707,099	845,703	2,380
Sanitation	431,274	483,945	--
Recycling	<u>191,683</u>	<u>122,109</u>	<u>--</u>
Total business type activities	<u>1,918,714</u>	<u>2,388,382</u>	<u>2,380</u>
Component Unit:			
Airport	<u>110,782</u>	<u>--</u>	<u>157,836</u>
Total	<u>\$ 6,840,653</u>	<u>\$ 2,924,202</u>	<u>\$ 911,017</u>

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
\$ --	\$ (540,179)	\$ --	\$ (540,179)	\$ --
--	15,994	--	15,994	--
--	(24,399)	--	(24,399)	--
--	(532,002)	--	(532,002)	--
54,367	(1,209,605)	--	(1,209,605)	--
--	(445,927)	--	(445,927)	--
--	(458,601)	--	(458,601)	--
--	(275,450)	--	(275,450)	--
54,367	(3,470,169)	--	(3,470,169)	--
--	--	347,967	347,967	--
--	--	140,984	140,984	--
--	--	52,671	52,671	--
--	--	(69,574)	(69,574)	--
--	--	472,048	472,048	--
--	--	--	--	47,054
\$ 54,367	(3,470,169)	472,048	(2,998,121)	47,054

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2015

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
General Receipts and Transfers:		
Property tax levied for:		
General purposes		
Debt service		
Tax increment financing		
Hotel/motel tax		
Cable television taxes		
Local option sales tax		
Unrestricted interest on investments		
Bond proceeds		
Miscellaneous		
Rent/dividend		
Transfers		
Total general receipts and transfers		
Change in cash basis net position		
Cash basis net position beginning of year		
Cash basis net position end of year		
Cash Basis Net Position		
Restricted:		
Non Expendable:		
Cemetery perpetual care		
Expendable:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
	\$ 1,536,928	\$ --	\$ 1,536,928	\$ --
	365,478	--	365,478	--
	109,844	--	109,844	--
	43,304	--	43,304	--
	32,058	--	32,058	--
	426,210	--	426,210	--
	3,330	4,720	8,050	--
	2,720,000	--	2,720,000	--
	46,872	30,931	77,803	48,318
	--	--	--	60,670
	235,500	(235,500)	--	--
	<u>5,519,524</u>	<u>(199,849)</u>	<u>5,319,675</u>	<u>108,988</u>
	2,049,355	272,199	2,321,554	156,042
	<u>2,351,622</u>	<u>3,399,170</u>	<u>5,750,792</u>	<u>(54,849)</u>
	<u>\$ 4,400,977</u>	<u>\$ 3,671,369</u>	<u>\$ 8,072,346</u>	<u>\$ 101,193</u>
	\$ 175,862	\$ --	\$ 175,862	\$ --
	219,568	--	219,568	--
	931,841	--	931,841	--
	1,204,509	36,574	1,241,083	--
	976,144	--	976,144	--
	<u>893,053</u>	<u>3,634,795</u>	<u>4,527,848</u>	<u>101,193</u>
	<u>\$ 4,400,977</u>	<u>\$ 3,671,369</u>	<u>\$ 8,072,346</u>	<u>\$ 101,193</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
Receipts:				
Property tax	\$ 1,044,870	\$ --	\$ --	\$ 492,058
Tax increment financing	--	--	--	--
Other city tax	75,362	--	426,210	--
Licenses and permits	49,858	--	--	--
Use of money and property	32,945	--	--	--
Intergovernmental	102,259	451,804	--	--
Charges for service	370,175	--	--	--
Miscellaneous	105,038	4,467	340	--
Total receipts	<u>1,780,507</u>	<u>456,271</u>	<u>426,550</u>	<u>492,058</u>
Disbursements:				
Operating:				
Public safety	616,969	--	--	--
Public works	68,872	366,938	--	--
Health and social services	--	--	--	--
Culture and recreation	1,026,684	--	--	--
Community and economic development	152,982	--	--	--
General government	524,614	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	244,145	--
Total disbursements	<u>2,390,121</u>	<u>366,938</u>	<u>244,145</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(609,614)	89,333	182,405	492,058
Other financing sources (uses):				
Bond proceeds	300,000	--	--	--
Operating transfers in	770,048	--	--	--
Operating transfers out	(60,796)	(67,000)	--	(484,498)
Total other financing sources (uses)	<u>1,009,252</u>	<u>(67,000)</u>	<u>--</u>	<u>(484,498)</u>
Change in cash balances	399,638	22,333	182,405	7,560
Cash balances beginning of year	<u>493,415</u>	<u>197,235</u>	<u>197,528</u>	<u>252,038</u>
Cash balances end of year	<u>\$ 893,053</u>	<u>\$ 219,568</u>	<u>\$ 379,933</u>	<u>\$ 259,598</u>

(continued next page)

<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 365,478	\$ --	\$ 1,902,406
109,844	--	--	109,844
--	--	--	501,572
--	--	--	49,858
--	--	145	33,090
--	--	202,951	757,014
--	--	--	370,175
--	--	71,208	181,053
<u>109,844</u>	<u>365,478</u>	<u>274,304</u>	<u>3,905,012</u>
--	--	792	617,761
--	--	--	435,810
--	--	24,399	24,399
--	--	29,905	1,056,589
1,201,867	--	63,084	1,417,933
--	--	--	524,614
101,201	357,400	--	458,601
--	--	31,305	275,450
<u>1,303,068</u>	<u>357,400</u>	<u>149,485</u>	<u>4,811,157</u>
(1,193,224)	8,078	124,819	(906,145)
2,420,000	--	--	2,720,000
--	--	88,296	858,344
<u>--</u>	<u>(5,550)</u>	<u>(5,000)</u>	<u>(622,844)</u>
<u>2,420,000</u>	<u>(5,550)</u>	<u>83,296</u>	<u>2,955,500</u>
1,226,776	2,528	208,115	2,049,355
<u>(294,935)</u>	<u>1,201,981</u>	<u>304,360</u>	<u>2,351,622</u>
<u>\$ 931,841</u>	<u>\$ 1,204,509</u>	<u>\$ 512,475</u>	<u>\$ 4,400,977</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	219,568	--	--
Urban renewal purpose	--	--	--	--
Debt service	--	--	--	--
Other purposes	--	--	379,933	259,598
Unassigned	<u>893,053</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 893,053</u>	<u>\$ 219,568</u>	<u>\$ 379,933</u>	<u>\$ 259,598</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 175,862	\$ 175,862
--	--	--	219,568
931,841	--	--	931,841
--	1,204,509	--	1,204,509
--	--	336,613	976,144
<u>--</u>	<u>--</u>	<u>--</u>	<u>893,053</u>
<u>\$ 931,841</u>	<u>\$ 1,204,509</u>	<u>\$ 512,475</u>	<u>\$ 4,400,977</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ --
Charges for service	936,625	845,703
Total operating receipts	<u>936,625</u>	<u>845,703</u>
Operating disbursements:		
Business type activities	588,658	415,699
Total operating disbursements	<u>588,658</u>	<u>415,699</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	347,967	430,004
Non-operating receipts (disbursements):		
Intergovernmental	--	2,380
Interest on investments	2,251	2,469
Miscellaneous	23,820	2,588
Debt service	--	(291,400)
Net non-operating receipts (disbursements)	<u>26,071</u>	<u>(283,963)</u>
Excess (deficiency) of receipts over (under) disbursements	374,038	146,041
Other financing sources (uses):		
Operating transfers out	(67,000)	(67,000)
Change in cash balances	307,038	79,041
Cash balances beginning of year	<u>2,229,553</u>	<u>832,113</u>
Cash balances end of year	<u>\$ 2,536,591</u>	<u>\$ 911,154</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 36,574
Unrestricted	<u>2,536,591</u>	<u>874,580</u>
Total cash basis fund balances	<u>\$ 2,536,591</u>	<u>\$ 911,154</u>

The accompanying notes are an integral part of these statements.

Enterprise		Total	Component Unit - Airport
Sanitation	Recycling Nonmajor		
\$ --	\$ --	\$ --	\$ 60,670
483,945	122,109	2,388,382	--
483,945	122,109	2,388,382	60,670
431,274	191,683	1,627,314	110,782
431,274	191,683	1,627,314	110,782
52,671	(69,574)	761,068	(50,112)
--	--	2,380	157,836
--	--	4,720	--
4,502	21	30,931	48,318
--	--	(291,400)	--
4,502	21	(253,369)	206,154
57,173	(69,553)	507,699	156,042
(87,000)	(14,500)	(235,500)	--
(29,827)	(84,053)	272,199	156,042
213,262	124,242	3,399,170	(54,849)
\$ 183,435	\$ 40,189	\$ 3,671,369	\$ 101,193
\$ --	\$ --	\$ 36,574	\$ --
183,435	40,189	3,634,795	101,193
\$ 183,435	\$ 40,189	\$ 3,671,369	\$ 101,193

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jefferson, Iowa is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer, utilities, and sanitation and recycling services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operating the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E-911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2015.

City officials are also members of the North Dallas County Landfill Commission. See Note 11 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Employee Benefits Fund is used to account for the collection and use of tax levied for the cost of employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation Fund accounts for the operation of the City's sanitation services.

The City also reports the following additional proprietary fund:

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's recycling service.

The City reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the public works, health and social service and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,327 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,327. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$374 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 400,000	\$ 144,139	\$ 240,000	\$ 50,847
2017	405,000	107,340	245,000	45,688
2018	415,000	101,440	250,000	40,420
2019	420,000	95,885	255,000	35,045
2020	425,000	89,655	265,000	29,563
2021-2025	1,695,000	330,434	1,110,000	60,200
2026-2030	690,000	196,683	--	--
2031-2035	800,000	74,928	--	--
	<u>\$ 5,250,000</u>	<u>\$ 1,140,504</u>	<u>\$ 2,365,000</u>	<u>\$ 261,763</u>

Year Ending June 30,	Total	
	Principal	Interest
2016	\$ 640,000	\$ 194,986
2017	650,000	153,028
2018	665,000	141,860
2019	675,000	130,930
2020	690,000	119,218
2021-2025	2,805,000	390,634
2026-2030	690,000	196,683
2031-2035	800,000	74,928
	<u>\$ 7,615,000</u>	<u>\$ 1,402,267</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Bonds

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay \$3,348,000 of sewer revenue bonds issued March, 2012. Proceeds of the bonds provided financing for the construction of sewer main improvements. The bonds are payable solely from the sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 68% of net receipts. Total principal and interest remaining to be paid on the bonds is \$2,626,763. For the current year, principal and interest paid and total customer net receipts were \$290,900 and \$430,004.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account within the Enterprise Funds for the sole purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$143,004.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$632,306. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.015944%, which was a decrease of 0.002723% from its proportion measured as of June 30, 2013.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$53,890, \$143,787 and \$354,331 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum
Salary increases (effective June 30, 2014)	4.00%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 1,438,952	\$ 632,306	\$(48,338)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 32 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$446 for single coverage and \$1,018 for family coverage. For the year ended June 30, 2015, the City contributed \$348,373 and plan members eligible for benefits contributed \$34,297 to the plan.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,000
Sick leave	<u>5,000</u>
Total	<u>\$ 22,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 67,000
	Employee Benefits	484,498
	Enterprise:	
	Water	67,000
	Sewer	67,000
	Sanitation	67,000
	Recycling	7,000
	Permanent:	
	Cemetery	5,000
	Debt Service	5,550
		<u>770,048</u>
Special Revenue:		
Health Insurance	General	9,000
Library	General	4,000
Equipment Replacement	General	47,796
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>88,296</u>
		<u>\$ 858,344</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$7,929 during the year ended June 30, 2015.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFICIT BALANCE

The Cemetery Land Reserve Fund, Downtown Streetscape Fund, Housing Rehabilitation Fund and Airport Improvements Fund had a deficit balance of \$1,416, \$413,864, \$8,717, and \$33,040, respectively at June 30, 2015. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 11 - NORTH DALLAS COUNTY LANDFILL

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

NOTE 12 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2015, the City received a total of \$36,265 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - HEALTH INSURANCE

The City's health insurance plan includes a deductible of \$1,500 for single coverage and \$3,000 for family coverage. The City reimburses the first \$1,200 of the deductibles for individuals with single coverage and the first \$2,400 of the deductibles for individuals with family coverage after the employee has paid at least \$200 of the deductible on a single policy and \$400 of the deductible on a family policy. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2015, the City reimbursed employees a total of \$25,705. The maximum liability the City could pay out in one fiscal year is \$84,400 based on the number of employees under single or family insurance at June 30, 2015.

NOTE 14 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$5,277,000 that have remaining commitments at June 30, 2015 of approximately \$1,712,000. The unpaid contract balances will be financed with existing debt proceeds and future TIF collections.

NOTE 15 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through December 16, 2015, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF JEFFERSON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 1,902,406	\$ --	\$ 1,902,406
Tax increment financing	109,844	--	109,844
Other city tax	501,572	--	501,572
Licenses and permits	49,858	--	49,858
Use of money and property	33,090	65,390	98,480
Intergovernmental	757,014	160,216	917,230
Charges for service	370,175	2,388,382	2,758,557
Miscellaneous	<u>181,053</u>	<u>79,249</u>	<u>260,302</u>
Total receipts	<u>3,905,012</u>	<u>2,693,237</u>	<u>6,598,249</u>
Disbursements:			
Public safety	617,761	--	617,761
Public works	435,810	--	435,810
Health and social services	24,399	--	24,399
Culture and recreation	1,056,589	--	1,056,589
Community and economic development	1,417,933	--	1,417,933
General government	524,614	--	524,614
Debt service	458,601	--	458,601
Capital projects	275,450	--	275,450
Business type activities	<u>--</u>	<u>2,029,496</u>	<u>2,029,496</u>
Total disbursements	<u>4,811,157</u>	<u>2,029,496</u>	<u>6,840,653</u>
Excess (deficiency) of receipts over (under) disbursements	(906,145)	663,741	(242,404)
Other financing sources (uses), net	<u>2,955,500</u>	<u>(235,500)</u>	<u>2,720,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,049,355	428,241	2,477,596
Balances beginning of year	<u>2,351,622</u>	<u>3,344,321</u>	<u>5,695,943</u>
Balances end of year	<u>\$ 4,400,977</u>	<u>\$ 3,772,562</u>	<u>\$ 8,173,539</u>

See accompanying independent auditor's report.

Budgeted Amount		Final to Total Variance
Original	Final	
\$ 1,819,509	\$ 1,819,509	\$ 82,897
125,100	3,125,100	(3,015,256)
440,401	470,001	31,571
46,425	72,325	(22,467)
69,512	77,651	20,829
546,086	979,690	(62,460)
2,955,668	2,784,751	(26,194)
77,400	148,421	111,881
<u>6,080,101</u>	<u>9,477,448</u>	<u>(2,879,199)</u>
616,978	624,978	7,217
422,354	431,754	(4,056)
14,000	18,000	(6,399)
989,990	1,154,590	98,001
233,100	3,346,770	1,928,837
560,296	572,296	47,682
359,850	374,850	(83,751)
304,000	410,400	134,950
<u>1,915,446</u>	<u>2,085,746</u>	<u>56,250</u>
<u>5,416,014</u>	<u>9,019,384</u>	<u>2,178,731</u>
664,087	458,064	(700,468)
<u>--</u>	<u>300,000</u>	<u>2,420,000</u>
664,087	758,064	1,719,532
<u>6,331,404</u>	<u>5,709,369</u>	<u>(13,426)</u>
<u>\$ 6,995,491</u>	<u>\$ 6,467,433</u>	<u>\$ 1,706,106</u>

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds, and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,603,370. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the public works, health and social service and debt service functions.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(IN THOUSANDS)
OTHER INFORMATION

City's proportion of the net pension liability	0.015944%
City's proportionate share of the net pension liability	\$ 632
City's covered-employee payroll:	\$ 1,520
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 2 FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 143	\$ 140
Contributions in relation to the statutorily required contribution	<u>(143)</u>	<u>(140)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 1,554	\$ 1,520
Contributions as a percentage of covered-employee payroll	9.20%	9.21%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)

CITY OF JEFFERSON, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue			
	Cafeteria Plan	Payroll Clearing	Police Federal Forfeiture	Health Insurance
Receipts:				
Use of money and property	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--
Miscellaneous	8,213	--	--	30,314
Total receipts	8,213	--	--	30,314
Disbursements:				
Operating:				
Public safety	--	--	792	--
Health and social services	10,507	--	--	13,892
Culture and recreation	--	--	--	--
Community and economic development	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	10,507	--	792	13,892
Excess (deficiency) of receipts over (under) disbursements	(2,294)	--	(792)	16,422
Other financing sources (uses):				
Operating transfers in	--	--	--	9,000
Operating transfers out	--	--	--	--
Total other financing sources	--	--	--	9,000
Change in cash balances	(2,294)	--	(792)	25,422
Cash balances beginning of year	5,077	7,333	976	63,369
Cash balances end of year	\$ 2,783	\$ 7,333	\$ 184	\$ 88,791
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Other purposes	2,783	7,333	184	88,791
Total cash basis fund balances	\$ 2,783	\$ 7,333	\$ 184	\$ 88,791

(continued next page)

Schedule 1

Special Revenue					
Equipment Replacement	Unemployment Compensation	Industrial Development	Community Center	Cemetery Mausoleum	Library
\$ 77	\$ --	\$ 39	\$ 1	\$ 25	\$ --
--	--	--	--	--	4,263
--	--	--	--	--	25,781
<u>77</u>	<u>--</u>	<u>39</u>	<u>1</u>	<u>25</u>	<u>30,044</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	27,904
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>27,904</u>
77	--	39	1	25	2,140
75,296	--	--	--	--	4,000
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>75,296</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,000</u>
75,373	--	39	1	25	6,140
<u>95,065</u>	<u>28,600</u>	<u>34,889</u>	<u>5,785</u>	<u>11,354</u>	<u>63,279</u>
<u>\$ 170,438</u>	<u>\$ 28,600</u>	<u>\$ 34,928</u>	<u>\$ 5,786</u>	<u>\$ 11,379</u>	<u>\$ 69,419</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<u>170,438</u>	<u>28,600</u>	<u>34,928</u>	<u>5,786</u>	<u>11,379</u>	<u>69,419</u>
<u>\$ 170,438</u>	<u>\$ 28,600</u>	<u>\$ 34,928</u>	<u>\$ 5,786</u>	<u>\$ 11,379</u>	<u>\$ 69,419</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue			
	Skate Park	Cemetery Land Reserve	LEC Capital Improvement	Enrich Iowa
Receipts:				
Use of money and property	\$ --	\$ 3	\$ --	\$ --
Intergovernmental	--	--	--	1,999
Miscellaneous	--	--	--	--
Total receipts	--	3	--	1,999
Disbursements:				
Operating:				
Public safety	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	--	--	--	2,001
Community and economic development	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	--	--	--	2,001
Excess (deficiency) of receipts over (under) disbursements	--	3	--	(2)
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Operating transfers out	--	--	--	--
Total other financing sources	--	--	--	--
Change in cash balances	--	3	--	(2)
Cash balances beginning of year	1,525	(1,419)	13,840	1,388
Cash balances end of year	<u>\$ 1,525</u>	<u>\$(1,416)</u>	<u>\$ 13,840</u>	<u>\$ 1,386</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Other purposes	1,525	(1,416)	13,840	1,386
Total cash basis fund balances	<u>\$ 1,525</u>	<u>\$(1,416)</u>	<u>\$ 13,840</u>	<u>\$ 1,386</u>

(continued next page)

Special Revenue				
Downtown Streetscape	Housing Rehabilitation	Neighborhood Stabilization	Insurance and Employee Benefits	Capital Projects
\$ --	\$ --	\$ --	\$ --	\$ --
--	54,367	--	--	142,322
<u>3,000</u>	<u>--</u>	<u>1,200</u>	<u>--</u>	<u>--</u>
3,000	54,367	1,200	--	142,322
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	63,084	--	--	--
<u>16,864</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,441</u>
16,864	63,084	--	--	14,441
(13,864)	(8,717)	1,200	--	127,881
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
(13,864)	(8,717)	1,200	--	127,881
<u>(400,000)</u>	<u>--</u>	<u>129,571</u>	<u>45,090</u>	<u>20,476</u>
<u>\$(413,864)</u>	<u>\$(8,717)</u>	<u>\$ 130,771</u>	<u>\$ 45,090</u>	<u>\$ 148,357</u>
\$ --	\$ --	\$ --	\$ --	\$ --
<u>(413,864)</u>	<u>(8,717)</u>	<u>130,771</u>	<u>45,090</u>	<u>148,357</u>
<u>\$(413,864)</u>	<u>\$(8,717)</u>	<u>\$ 130,771</u>	<u>\$ 45,090</u>	<u>\$ 148,357</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Receipts:		
Use of money and property	\$ --	\$ 145
Intergovernmental	--	202,951
Miscellaneous	<u>2,700</u>	<u>71,208</u>
Total receipts	2,700	274,304
Disbursements:		
Operating:		
Public safety	--	792
Health and social services	--	24,399
Culture and recreation	--	29,905
Community and economic development	--	63,084
Capital projects	<u>--</u>	<u>31,305</u>
Total disbursements	<u>--</u>	<u>149,485</u>
Excess (deficiency) of receipts over (under) disbursements	2,700	124,819
Other financing sources (uses):		
Operating transfers in	--	88,296
Operating transfers out	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing sources	<u>(5,000)</u>	<u>83,296</u>
Change in cash balances	(2,300)	208,115
Cash balances beginning of year	<u>178,162</u>	<u>304,360</u>
Cash balances end of year	<u>\$ 175,862</u>	<u>\$ 512,475</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ 175,862	\$ 175,862
Restricted for:		
Other purposes	<u>--</u>	<u>336,613</u>
Total cash basis fund balances	<u>\$ 175,862</u>	<u>\$ 512,475</u>

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Urban renewal corporate purpose	June 12, 2012	.75-1.90%	\$ 2,325,000
Refunding	April 4, 2012	1.00%	995,000
Corporate purpose	November 30, 2012	2.00%	405,000
Urban renewal corporate purpose - Casino	June 29, 2015	2.00-3.70%	2,420,000
Golf Course	June 29, 2015	2.50%	300,000
Total General Obligation Bonds			
Revenue Bonds:			
Sewer	March 15, 2012	2.15%	3,348,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 2,325,000	\$ --	\$ --	\$ 2,325,000	\$ 30,400	\$ 2,534
325,000	--	325,000	--	3,250	--
305,000	--	100,000	205,000	6,100	508
--	2,420,000	--	2,420,000	--	10,696
--	300,000	--	300,000	--	1,153
<u>\$ 2,955,000</u>	<u>\$2,720,000</u>	<u>\$ 425,000</u>	<u>\$ 5,250,000</u>	<u>\$ 39,750</u>	<u>\$ 14,891</u>
<u>\$ 2,600,000</u>	<u>\$ --</u>	<u>\$ 235,000</u>	<u>\$ 2,365,000</u>	<u>\$ 55,900</u>	<u>\$ 4,237</u>

CITY OF JEFFERSON, IOWA
BOND AND NOTE MATURITIES
June 30, 2015

General Obligation Bonds						
Year ending June 30,	Urban Renewal Corporate Purpose		Corporate Purpose		Urban Renewal Corporate Purpose - Casino	
	Issued June, 2012		Issued November, 2012		Issued June 29, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	.75%	\$ 300,000	2.00%	\$ 100,000		\$ --
2017	.90%	300,000	2.00%	105,000		--
2018	1.10%	305,000		--	2.00%	110,000
2019	1.30%	310,000		--	2.00%	110,000
2020	1.45%	315,000		--	2.00%	110,000
2021	1.55%	320,000		--	2.00%	115,000
2022	1.75%	325,000		--	2.00%	115,000
2023	1.90%	150,000		--	2.50%	115,000
2024		--		--	2.50%	125,000
2025		--		--	2.50%	130,000
2026		--		--	2.70%	130,000
2027		--		--	3.00%	135,000
2028		--		--	3.00%	140,000
2029		--		--	3.00%	140,000
2030		--		--	3.10%	145,000
2031		--		--	3.40%	150,000
2032		--		--	3.40%	155,000
2033		--		--	3.70%	160,000
2034		--		--	3.70%	165,000
2035		--		--	3.70%	170,000
		<u>\$2,325,000</u>		<u>\$ 205,000</u>		<u>\$2,420,000</u>
Revenue Bonds						
Year ending June 30,	Sewer					
	Issued March, 2012					
	Interest Rates	Amount				
2016	2.15%	\$ 240,000				
2017	2.15%	245,000				
2018	2.15%	250,000				
2019	2.15%	255,000				
2020	2.15%	265,000				
2021	2.15%	270,000				
2022	2.15%	275,000				
2023	2.15%	280,000				
2024	2.15%	285,000				
		<u>\$2,365,000</u>				

See accompanying independent auditor's report.

General Obligation Bonds Golf Course		
Issued June 29, 2015		
Interest Rate	Amount	Total
	\$ --	\$ 400,000
	--	405,000
	--	415,000
	--	420,000
	---	425,000
	--	435,000
	---	440,000
2.50%	150,000	415,000
2.50%	150,000	275,000
	--	130,000
	---	130,000
	--	135,000
	---	140,000
	--	140,000
	--	145,000
	--	150,000
	--	155,000
	--	160,000
	---	165,000
	--	170,000
	<u>\$ 300,000</u>	<u>\$ 5,250,000</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 1,902,406	\$ 1,844,801	\$ 1,812,279	\$ 1,794,961
Tax increment financing	109,844	121,253	123,983	52,999
Other city tax	501,572	464,053	441,741	413,014
Licenses and permits	49,858	28,408	22,408	23,099
Use of money and property	33,090	23,068	4,409	4,829
Intergovernmental	757,014	765,826	984,128	1,047,001
Charges for service	370,175	339,652	438,195	423,233
Miscellaneous	<u>181,053</u>	<u>212,422</u>	<u>362,274</u>	<u>440,640</u>
Total	<u>\$ 3,905,012</u>	<u>\$ 3,799,483</u>	<u>\$ 4,189,417</u>	<u>\$ 4,199,776</u>
Disbursements:				
Operating:				
Public safety	\$ 617,761	\$ 619,909	\$ 592,421	\$ 839,472
Public works	435,810	478,777	411,183	370,876
Health and social services	24,399	12,510	21,065	16,365
Culture and recreation	1,056,589	1,027,617	895,093	938,327
Community and economic development	1,417,933	803,432	1,063,153	754,177
General government	524,614	530,120	507,874	488,136
Debt service	458,601	480,622	414,524	1,360,326
Capital projects	275,450	640,648	2,231,786	1,281,238
Business type activities	<u>--</u>	<u>--</u>	<u>130,698</u>	<u>120,628</u>
Total	<u>\$ 4,811,157</u>	<u>\$ 4,593,635</u>	<u>\$ 6,267,797</u>	<u>\$ 6,169,545</u>

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,719,267	\$ 1,691,846	\$ 1,664,104	\$ 1,558,793	\$ 1,586,705	\$ 1,599,116
126,533	114,103	113,542	358,511	307,079	251,752
425,258	425,470	461,913	335,753	144,994	56,549
16,912	23,739	17,592	26,435	33,796	18,089
12,345	18,029	29,917	35,073	35,863	16,862
1,399,726	1,387,136	518,174	691,411	742,255	950,415
368,017	372,619	377,566	395,006	413,822	456,697
<u>142,873</u>	<u>88,851</u>	<u>389,056</u>	<u>104,313</u>	<u>97,895</u>	<u>72,250</u>
<u>\$ 4,210,931</u>	<u>\$ 4,121,793</u>	<u>\$ 3,571,864</u>	<u>\$ 3,505,295</u>	<u>\$ 3,362,409</u>	<u>\$ 3,421,730</u>
\$ 556,021	\$ 599,584	\$ 522,416	\$ 586,397	\$ 497,633	\$ 496,320
670,334	548,141	395,213	398,133	371,245	404,907
9,166	555,759	224,503	608,126	297,139	15,142
808,607	4,755	9,202	6,740	7,988	883,826
846,638	809,681	865,424	834,445	871,208	478,638
478,417	456,253	447,921	867,015	435,667	449,568
353,579	334,210	337,605	461,684	588,602	595,908
472,417	571,143	583,660	59,528	155,407	878,420
<u>108,057</u>	<u>105,400</u>	<u>114,192</u>	<u>81,851</u>	<u>207,691</u>	<u>80,398</u>
<u>\$ 4,303,236</u>	<u>\$ 3,984,926</u>	<u>\$ 3,500,136</u>	<u>\$ 3,903,919</u>	<u>\$ 3,432,580</u>	<u>\$ 4,283,127</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jefferson's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: I-A-15

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to the Findings

The City of Jefferson's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Jefferson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa
December 16, 2015

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2015

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-15 Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting

II-A-15 Certified Budget: Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, health and social service and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: In the future the budget will be amended before disbursements are allowed that would exceed the City's spending authority.

Conclusion: Response accepted.

II-B-15 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

II-D-15 Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Derek Teeples, brother of employee and son of Council Member, owner of Teeples Heating and Cooling	Services	\$ 1,177
Danny Moranville and Craig Kinsey, City employees and owners of Cityboys Elite Concrete	Services	6,414
Chad Black, spouse of Council Member, owner of Fix-A-Lot Handyman Services	Services	338

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individuals do not represent conflicts of interest. The services with Cityboys Elite Concrete were entered into through the competitive bidding process. The services with Teeples Heating and Cooling and Fix-A-Lot Handyman Services total transactions were less than \$1,500 during the fiscal year.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting - Continued

- II-E-15 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 Deposits and Investments: The City and its component unit own \$2,327 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

- II-H-15 Depository Resolution: The City was not able to locate its current resolution naming its official depositories and maximum covered deposit amounts as required by Chapter 12C of the Code of Iowa.

Recommendation: We recommend that the City adopt a depository resolution naming its official depositories and maximum covered deposit amounts for each depository in accordance with Chapter 12C of the Code of Iowa.

Response: A depository resolution will be adopted.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting - Continued

II-I-15 Financial Condition: The following funds had deficit balances at June 30, 2015.

Special Revenue - Cemetery Land Reserve	\$ 1,416
Downtown Streetscape	413,864
Housing Rehabilitation	8,717
Component Unit - Airport Improvement	33,040

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position

Response: The deficits will be eliminated.

Conclusion: Response accepted.

II-J-15 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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